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OFFICE OF THE
EXECUTIVE SECRETARY

September 15, 1999

Hand Delivery

Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Motion for Modification or Limited Waiver of Prior Order
Docket No.: 96-00774 *New #*

Dear Mr. Waddell:

99-00702

Enclosed please find original and thirteen copies of Motion for Modification or Limited Waiver of Prior Order for filing with the Authority. I would appreciate it if you would bring this matter to the attention of the Directors as soon as possible.

If you have any questions, do not hesitate to call me.

Best regards.

Very truly yours,

R. Dale Grimes

R. Dale Grimes

RDG/jm

Enclosures

cc: Vincent Williams, Esq.
Richard Collier, Esq.
Mr. Tommy Ott
Mr. Greg Eubanks

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BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

REC'D TO
REGULATORY AUTH.

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OFFICE OF THE
EXECUTIVE SECRETARY

IN RE: JOINT PETITION OF THE TEC)
COMPANIES AND THE CONSUMER)
ADVOCATE DIVISION OFFICE OF)
THE ATTORNEY GENERAL FOR)
THE APPROVAL AND)
IMPLEMENTATION OF)
SETTLEMENT)

DOCKET NO.: 96-00774

99-00702

MOTION FOR MODIFICATION OR LIMITED WAIVER OF PRIOR ORDER

Comes Telephone Electronics Corporation ("TEC"), one of the Petitioners in the above-styled matter, acting by and through its three wholly owned subsidiary companies, Crockett Telephone Company, Inc., Peoples Telephone Company and West Tennessee Telephone Company, Inc., hereinafter ("the Companies") and respectfully move the Tennessee Regulatory Authority ("Authority") for a minor modification or limited waiver of a portion of its Order of April 1, 1997, in the above-styled docket matter and in support thereof would state as follows:

1. The Order of the Authority approving the settlement between the TEC Companies and the Consumer Advocate Division of the Office of Attorney General was issued by the Authority dated April 1, 1997 (the "Order"). A copy of the Order is attached hereto for the convenience of the Authority.

2. This Order was for the approval of a settlement as to the review of the earnings of the three companies for the years 1996, 1997 and 1998. An investigation had been made, and the parties had agreed to a settlement as to the over-earnings for the three-year period. The parties agreed and the Authority approved how the earnings would be reduced for the three-year period

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in the amount of \$4.9 million. One of the provisions used to reduce the earnings was set out as Item 2 on page 3 of the attached Order which provided as follows:

"2. Providing contiguous county calling plans at 50% of current rates for the first sixty minutes of IntraLATA contiguous county calls until IntraLATA bill and keep goes into effect.

This credit has continued and the reduction of 50% of current rates for the first sixty minutes of IntraLATA contiguous county calls is still in effect for all three companies.

3. The TEC Companies, pursuant to the Federal Communications Commission Order of March 23, 1999, in Docket No. 96-98 filed an IntraLATA Toll Dialing Parity Implementation Plan together with a Petition for Modification. The Petition sought relief for an extension of time for implementation until September 22, 1999. The Tennessee Regulatory Authority approved the IntraLATA Dialing Parity Implementation Plan as filed and the modification thereof as requested by the Companies in Docket No. 99-00294.

4. The TEC Companies have a total of approximately 14,400 access customers. These customers were notified as required by the FCC that they would now have a choice as to their IntraLATA toll carrier and that if they desired to select a particular carrier other than the current carrier, they should notify the Companies per FCC requirements. As of this date, only a few customers in two of the three Companies have made this election. There were two customers in the Peoples Telephone Company and seven at West Tennessee Telephone Company, Inc. None of the Crockett Telephone Company, Inc. customers have elected to make a change as to their IntraLATA carrier. The notice to these customers was mailed on August 16, 1999, per FCC guidelines.

5. The Companies would state to the Authority that as to these nine customers and any other customers that may elect to change their IntraLATA carriers, the Companies should not be required to continue the 50% credit for the first sixty minutes of IntraLATA contiguous county calling because it is practically impossible to administer such a program for so few people and the companies do not have an Interconnection Agreement or contractual arrangements with any other companies, as they now do with the present carrier.

6. The Companies would also show that the Companies' earnings are being reviewed for the years 1999, 2000 and 2001 by the Consumer Advocate Division of the Office of the Attorney General and these earnings are also being reviewed by the Authority's staff. These reviews are still in the investigative stage and hopefully they can be resolved within the next few months. The credits being allowed the Companies' customers under the settlement for the three-year period 1996 through 1998, pursuant to Docket No. 96-00774, are being continued as requested by the staff of the Authority until the next investigation for the years 1999, 2000 and 2001 of the Companies' earnings can be completed.

7. The Companies would respectfully request that this Motion for Modification or Limited Waiver be granted and that they not be required to continue the credit for the contiguous county IntraLATA calls of those customers who elected under the IntraLATA Dialing Parity Plan to select a new carrier for that service, or newly established customers that may select another carrier other than BellSouth after the dialing parity implementation date.

PREMISES CONSIDERED, PETITIONERS PRAY:

1. That they be permitted to file this Motion and that the matter be expedited because of the time factor for the implementation of their IntraLATA Dial Parity Plan going into effect on September 22, 1999.
2. That the Authority grant the relief prayed for in this Motion and waive the requirements that contiguous county credit be given to those customers who select a new carrier for their IntraLATA Toll Dialing.
3. That the Companies have such other and further relief as the Authority may deem appropriate in this matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "T. G. Pappas", is written over a horizontal line.

T. G. Pappas (#2703)
R. Dale Grimes (#6223)
BASS, BERRY & SIMS PLC
2700 First American Center
Nashville, TN 37238

Attorneys for TEC Companies

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been mailed, U. S. Mail, postage prepaid, or Hand Delivered, to L. Vincent Williams, Esquire, Consumer Advocate Division Office of the Attorney General, 426 5th Avenue, No., Cordell Hull Bldg. (Basement Level), Nashville, TN 37243-0489 and Richard Collier, Esquire, General Counsel, Tennessee Regulatory Authority, 450 James Robertson Parkway, Nashville, TN 37243-0505, this the 15 day of September 1999.



#2050753

PAPPASTG/ 2050753.2

BEFORE THE TENNESSEE REGULATORY AUTHORITY

April 1, 1997

NASHVILLE, TENNESSEE

**IN RE: JOINT PETITION OF THE TEC COMPANIES AND THE
 CONSUMER ADVOCATE DIVISION OF THE OFFICE OF THE
 ATTORNEY GENERAL FOR THE APPROVAL AND
 IMPLEMENTATION OF SETTLEMENT**

DOCKET NO. 96-00774

ORDER

This matter is before the Tennessee Regulatory Authority (hereafter "Authority") upon the filing of a joint petition for the approval and implementation of settlement by the Telecommunications Electronics Corporation companies (hereafter "TEC" or "Company")¹ and the Consumer Advocate Division of the Office of the Attorney General (hereafter "Consumer Advocate"). The Authority considered this matter at the March 18, 1997, Authority Conference before Chairman Lynn Greer, Director Sara Kyle and Director Melvin Malone.

PROCEDURAL BACKGROUND

During 1995, the Staff of the Public Service Commission (hereafter "PSC") conducted a Compliance Audit of TEC and its local telephone

¹ TEC companies in Tennessee are Crockett Telephone Company, Peoples Telephone Company, and West Tennessee Telephone Company.

companies in Tennessee for the twelve months ending December 31, 1994. The resulting audit report found that the companies' earnings appeared to be excessive and recommended that the PSC open a proceeding to determine if rate reductions were necessary. The Staff's audit report was accepted by the PSC at its April 30, 1996 Conference in Docket 96-00773.

Following the adoption of the Compliance Audit report, the Commissioners of the PSC also granted the Consumer Advocate's Motion to establish a contested case to determine if rates should be reduced (Docket No. 96-00774). Pursuant to this case the parties prepared a forecast of earnings of the TEC companies for the years 1996, 1997, and 1998. Upon completion of this forecast, TEC and the Consumer Advocate agreed that the actual and projected overearnings for the three year period was \$4.95 million.

The Settlement

On February 28, 1997, the TEC companies and the Consumer Advocate filed a Joint Motion for Approval and implementation of the settlement (Attachment A, including Exhibits A - C) whereby earnings will be reduced by \$4.95 million for the years 1996, 1997, and 1998.

In calculating the overearnings, TEC and the Consumer Advocate agreed to a fair rate of return of 11.474%. The parties further agreed to reduce earnings by eliminating certain rates, reducing certain rates, granting one-time and

recurring monthly credits, and accelerating technology service improvements. Specifically, the excess earnings will be disposed of by:

1. Eliminating Touchtone rates for all customers. Reduction of \$269,153.
2. Providing contiguous county area calling plans at 50% of current rates for the first sixty minutes of intraLATA contiguous county calls until IntraLATA bill and keep goes into effect. Reduction of \$2,261,990.
3. Accelerating construction expenditures to eliminate ISDN overlays at West Tennessee and Peoples and installing digital remote CSAs to virtually eliminate the companies analog facilities. Reduction of \$1,002,415.
4. Providing \$3.00 monthly credits to all residential customers and \$5.00 monthly credits to all business customers for twenty-two months beginning with the first billing month after Authority approval. Reduction of \$674,535.
5. Providing a one-time credit to all customers of \$30.23 on the first billing after Authority approval. Reduction of \$387,095.
6. Providing additional monthly credits to all customers of \$2.17 during 1998. Reduction of \$354,954.

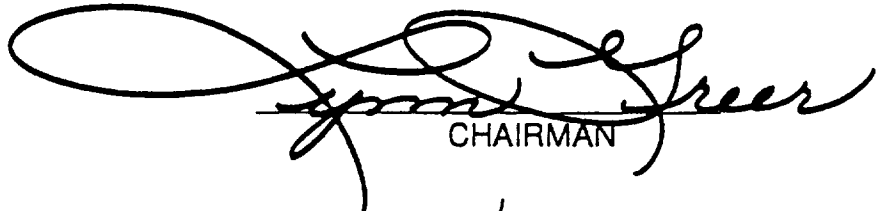
OTHER MATTERS

At the March 18, 1997 Authority Conference, the Directors of the Authority inquired about the lack of a flat-rate extended calling plan similar to BellSouth's Area Plus offering in the settlement. The parties agreed to study the possibility of offering a flat-rate extended calling plan similar to BellSouth's Area Plus offering in 1999. The Directors then voted unanimously to accept the agreement as filed recognizing the just and reasonableness of the rates proposed by the agreement and the benefits of the agreement to the consumers.

IT IS THEREFORE ORDERED:

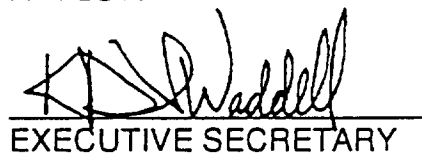
1. The rates set forth in the joint petition in Attachment A to this Order designed to reduce revenues \$4.95 million are hereby approved.
2. The Company shall file tariffs consistent with this Order within fourteen (14) days after the date of this Order.
4. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from and after the date of this Order.

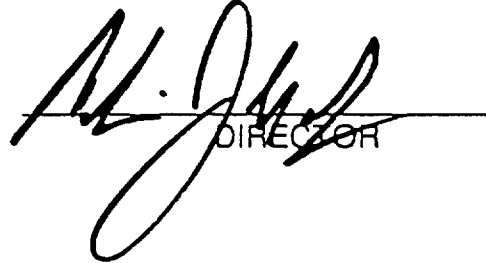
5. Any party aggrieved with the Authority's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Division, within sixty (60) days from and after the date of this Order.


CHAIRMAN


DIRECTOR

ATTEST:


EXECUTIVE SECRETARY


DIRECTOR

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE: INVESTIGATION OF TELEPHONE ELECTRONICS
CORPORATION AND ITS SUBSIDIARIES

DOCKET NO. 96-00774

JOINT MOTION FOR APPROVAL AND
IMPLEMENTATION OF SETTLEMENT

This Joint Motion of the three Telephone Electronics Corporation Companies, Crockett Telephone Company, Inc., People's Telephone Company, Inc., and West Tennessee Telephone Company, Inc. (the "Companies") is filed as a joint motion with the Consumer Advocate Division of the Office of the Attorney General of the State of Tennessee ("CONAD").

1. The Tennessee Public Service Commission ("Commission") granted CONAD's motion to investigate the earnings of the Companies to determine if reductions were necessary to produce a fair and reasonable rate of return and to intervene as a party in its Order of May 10 to convene a contested case. The Tennessee Regulatory Authority, after it came into existence, recommenced this case among others " . . . to determine if reductions are necessary to produce a fair and reasonable rate of return."

2. The parties began meeting and exchanging information beginning in May of 1996 to consider a forecast of earnings of the three companies on a combined basis for the three-year period 1996 through 1998. They have exchanged information, met, and have advised with the staff of the Tennessee Regulatory Authority.

3. After their investigations and consultations the Companies and CONAD have agreed that for the three-year period 1996 through 1998, the actual and projected over earnings of the Company will be \$4,950,034. This figure is based on information accumulated as to the actual earnings in 1996 and the projected earnings in 1997 and 1998. Attached hereto as Exhibit A is a one-page schedule setting out the Companies forecast of earnings on a combined basis for this three-year period with an allowed fair rate of return of 11.474%.

4. The negotiations that have been carried on between the Companies and CONAD have been primarily between Archie Hickerson, Director, and Terry Buckner, Senior Regulatory Analyst, with CONAD and Gregory Eubanks, Manager-Regulatory Operations of Telephone Electronics Corporation and Dwight Work of the accounting firm of Work & Greer in behalf of the Companies. An agreement has been reached between the management of the Companies and CONAD as evidenced by the signature of Gregory Eubanks and L. Vincent Williams.

5. The Companies and CONAD agree that the over earnings of \$4,950,034 should enure for the benefit of the Companies' customers in the following manner:

	Revenue Requirement Impact
(1.) Elimination of Touchtone rates for all customers.	\$ 269,135
(2.) Contiguous County area calling plan for all companies at 50% of current rates for the first sixty minutes of IntraLATA contiguous county calls until IntraLATA Bill and Keep Plan goes into effect (Anticipated	2,261,900

in 1998).¹

(3.)	Accelerated Construction expenditures. ²	1,002,415
(4.)	\$3.00 monthly credit for all residential customers and a \$5.00 monthly credit for all business customers for twenty-two months beginning with the first billing month after TRA approval. (In effect, the R-1 rates will range from \$2.86 to \$7.54. The B-1 rates will range from \$5.46 to \$19.14.)	674,535
(5.)	One-time credit for all customers of \$30.23 per subscriber on the March 1997 subscriber billing. (Or the next billing period immediately after TRA approval)	387,095
(6.)	Additional monthly credit for all customers of \$2.17 for the twelve months of 1998.	354,954

Total

\$ 4,950,034

¹ If the IntraLATA Bill and Keep Plan does not go into effect in 1998, the Contiguous County area calling plan at 50% of current rates for the first sixty minutes of usage will remain in effect. Further, the revenue requirement difference between the two anticipated calling plans of \$507,063 will be accounted for by a one-time credit of approximately \$37.00 per subscriber during the July 1998 billing period. The exact amount of the one-time credit will depend on the number of subscribers at the time.

² The accelerated construction expenditures provide for: (a) Installation of EWSD front ends to the existing DCO platforms at both West Tennessee and Peoples. This installation allows the Companies to eliminate the overlay network deployment of ISDN at these two companies via the current Crockett EWSD switching platform. This will improve efficiency from the existing overlay network as well as provide additional software enhancements to these local switching centers. This schedule calls for this installation to be completed in 1997 as opposed to the original project date of 1999; and, (b) Installation of digital remote CSA's to eliminate current analog subscriber carriers. The Companies will install a total of 27 digital remotes and associated buried cable facilities which virtually eliminates all analog facilities. The original construction program took these installations through the year 2000, but this accelerated program allows for their completion by the end of the forecast period.

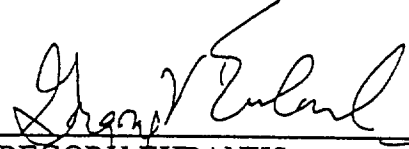
6. The settlement agreement between the parties and the implementation of the credits and benefits to the customers are set out in two documents: (a) an Intraoffice Memorandum from Archie Hickerson, Director, and Terry Buckner, Senior Regulatory Analyst, to Patricia J. Cottrell, Chief Deputy Attorney General and Vincent Williams, Consumer Advocate, dated February 24, 1997, Exhibit "B" hereto; and (b) a letter from Gregory Eubanks to Vincent Williams, dated February 7, 1997 sets out the Companies' offer of settlement, Exhibit "C". If this settlement is approved and implemented by the Authority the customers of the Companies will receive: (a) elimination of touchtone rates; (b) a reduction in rates for contiguous county calling; (c) a one time credit of \$30.23; (d) a monthly credit of \$3.00 residential, \$5.00 business customers for 22 months; (e) additional monthly credit of \$2.17 for all customers for twelve months of 1998; and (f) the benefit of accelerated technological service improvements. There will be no rate increases for any customers as a result of this settlement. The Companies are in compliance with Tennessee FYI. Also, the Companies have ISDN capabilities, fiber optic connectivity and SS7 at all three Companies.

7. The parties would state that the settlement reached between them as set out in this Motion and the Exhibits hereto has been negotiated in good faith, and on the basis that all parties have cooperated in furnishing required information, on the basis that all relevant information and information which could be relevant has been disclosed, and that the recommendations are fair, just and reasonable and in the best interest of the customers served by the Companies and, the changes in customer rates by elimination of certain charges and reduction of certain rates, and the credits to be given to customers on a one time and monthly basis are all fair, reasonable and will give the Companies an opportunity to earn a fair and reasonable rate of return and should be approved by the Authority.

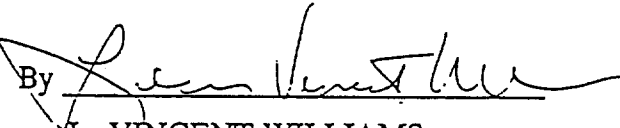
WHEREFORE, the Telephone Electronics Corporation Companies of Crockett Telephone Company, People's Telephone Company, Inc. and West Tennessee Telephone Company, Inc. and the Consumer Advocate Division of the Office of the Attorney General of the State of Tennessee respectfully move that the Tennessee Regulatory Authority consider this Motion and the Exhibits attached thereto and approve the settlement reached by the parties as being fair, just and reasonable and direct the Company to file tariffs to implement same and to begin granting the one time credits and monthly credits beginning the first month after the entry of the order by the Authority.

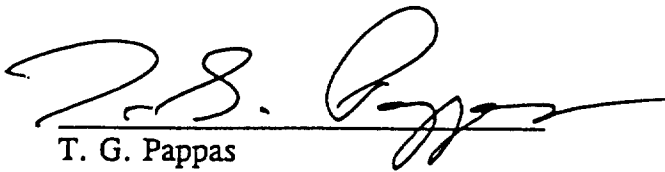
Respectfully submitted,

CROCKETT TELEPHONE COMPANY,
INC., PEOPLE'S TELEPHONE
COMPANY, INC., WEST TENNESSEE
TELEPHONE COMPANY, INC. (THE
TELEPHONE ELECTRONICS
CORPORATION)

By 
GREGORY EUBANKS
Manager-Regulatory Operations

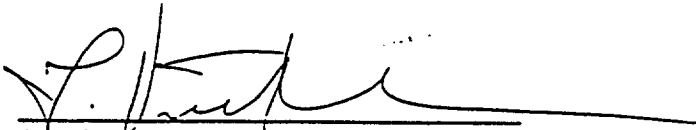
CONSUMER ADVOCATE DIVISION
OF THE OFFICE OF THE ATTORNEY
GENERAL, STATE OF TENNESSEE

By 
L. VINCENT WILLIAMS
Consumer Advocate



T. G. Pappas
BASS, BERRY & SIMS
2700 First American Center
Nashville, TN 37238

Attorney for Telephone Electronics
Corporation Companies



L. Vincent Williams
Consumer Advocate Division,
Office of the Attorney General
426 5th Avenue, No.
Cordell Hull Building (Basement Level)
Nashville, TN 3724300489

Attorney for the Consumer Advocate
Division of the Office of the Attorney
General, State of Tennessee

STATE OF Tennessee
COUNTY OF DAVIDSON

GREGORY EUBANKS, makes oath that he is Manager-Regulatory Operations for Telephone Electronics Corporation; that he has read the foregoing Joint Motion and the contents thereof are true to the best of his knowledge, information and belief.

Gregory Eubanks
GREGORY EUBANKS

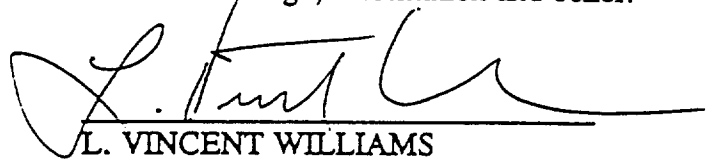
Sworn to and subscribed before me this 27th day of February, 1997.

Barbara Rice
NOTARY PUBLIC

My Commission Expires: Nov. 22, 1997

STATE OF TENNESSEE
COUNTY OF DAVIDSON

L. VINCENT WILLIAMS, makes oath that he is the Consumer Advocate of the Division of the Office of the Attorney General, State of Tennessee; that he has read the foregoing Joint Motion and the contents thereof are true to the best of his knowledge, information and belief.


L. VINCENT WILLIAMS

Sworn to and subscribed before me this the 28th day of February 1997.

My Commission Expires: 1/20/99

Teresa A. Harris
Notary Public

#507580

TELEPHONE ELECTRONICS CORPORATION
 TENNESSEE OPERATING COMPANIES
 FORECAST OF EARNINGS
 THREE YEAR PERIOD 1996 THROUGH 1998

Line No.	(1) Description	(2) Amount
	Revenues:	
1	Local	\$ 5,528,714
2	Access	18,479,511
3	Toll	487,177
4	Miscellaneous	3,252,643
5	Uncollectible	(228,702)
6	Total Revenues	<u>27,519,343</u>
	Expenses:	
7	Plant Specific	3,533,249
8	Plant Non-Specific	1,439,976
9	Customer Operations	4,558,502
10	Corporate Operations	3,244,380
11	Depreciation Expense	4,142,580
12	Other Operating Taxes	928,808
13	Federal Income Tax	3,617,714
14	Total Expenses	<u>21,465,209</u>
15	Net Operating Income	<u>6,054,134</u>
	Adjustments:	
16	Inside Wiring Net Operating Income	205
17	Parent Tax Savings	337,304
18	Interest on Customer Deposits	(6,484)
19	Total Adjustments	<u>331,025</u>
20	Adjusted Net Operating Income	<u>\$ 6,385,159</u>
21	Rate Base	<u>\$ 29,289,596</u>
22	Rate of Return	21.80%
23	Fair Rate of Return	11.474%
24	Net Operating Income Surplus	<u>\$ 3,024,471</u>
25	Retention Factor	61.10%
26	Revenue Surplus	<u><u>\$ 4,950,034</u></u>